

## OFFICE OF THE DEAF AND HARD OF HEARING

### FY14 BUDGET BACKGROUND

FY14 = July 1, 2013 – June 30, 2014

#### Revenue

The revenue source is the amount of money (TRS excise tax) collected from people who pay their landline telephone bills every month. Department of Revenue (DOR) uses the Revised Code of Washington (RCW) 43.20A.725 formula to calculate the amount of monthly excise tax which is determined by dividing the Office of Financial Management-approved annual budget by the total number of landlines.

Approved Budget [\$4,316,291] ÷ # of landlines [21,392,773] = .21 cents

Note: \$197,663 funding for National Deaf Blind Equipment Distribution Program (NDBEDP) is not to be included in this calculation because it is federal funds.

This FY13, the monthly excise tax is .17 cents. For the next FY14, it is proposed to increase by .02 cents to .19 cents which is less than .21 cents. Unfortunately the RCW (state law) caps the tax at .19 cents; the tax can't go up to .21 cents.

#### Landlines

DOR projects a 9% decrease in the total number of landlines due to more people using cellular phones. DOR revised its' number of landlines which did not match ODHH numbers. At this time, it is not clear what the actual number of landlines is. ODHH and DOR are working together to resolve the difference.

#### Projections (estimates)

Using the most recent DOR's number of landlines, ODHH completed a 4-year projection of the revenue, expenditures and fund balance. The projection is through FY17. It assumes that the excise tax will stay the same at .19 cents, landlines will decrease by 9% every year, telecommunication relay expenditures will increase and all expenditures will be the same as FY14 expenditures. The trend shows that ODHH will be experiencing deficits and fund reserves will be used up by FY15. In other words, ODHH will be "broke."

#### Budget Cutbacks

ODHH used to have several million dollars \$ in fund reserves. Due to decline in state revenue the past four years, there have been fund transfers from ODHH fund account to

the state General Fund. As a result, there is less money in fund reserves. The huge drop in landlines and 4-year projections shows a financial crisis.

This January, the ODHH Director ordered:

- immediate freeze on certain activities,
- reductions on certain rates paid to contractors, and
- discontinue services in Yakima region.

ODHH need to spend less now and achieve the cost savings to help us balance a budget in FY14.

Historically, our budgeting allowed expenditures to exceed revenue (spend more than earn) because we had a fund surplus. Due to harsh realities, this budgeting approach must change. Revenue must exceed expenditures (earn more than we spend) to ensure there is a fund balance that will keep ODHH operating through FY15. This will allow two years to seek policy solutions.

This FY14 budget has reductions, elimination of certain services, and a continuation of the freeze on certain activities. At this time, the table illustrates in percentages (%) the reductions when comparing FY13 and FY14 budgets.

<b>TOTAL REDUCTIONS IN PERCENTAGES (%)</b>	
Program 850 (Telecommunications & Accommodations)	12%
Program 100 (Social and Human Services)	18%
ODHH Total	13%

The FY14 budget at this time has a deficit (shortage) of \$251,665. However this is a DRAFT budget and more cutbacks may be taken in the FINAL budget, subject to the results of a a final accurate number of landlines and the rate of decline which is currently 9%.

It is expected that there will be more reductions during FY14 and again next year in the FY15 budget. No doubt, deaf, hard of hearing, and deaf-blind individuals, clients and communities will be impacted. Staff will be impacted too. ODHH will lose two positions and will be reorganizing. All positions are under review. ODHH would need to become more resourceful with less staff.

### **Program 850 Expenditures**

**Administration** – With an elimination of two positions, ODHH funds 14 staff salaries and benefits as well as reasonable accommodations to effectively communicate with

people. Overhead costs will be reduced by spending less on equipment and supplies, less training, and no out-of-state travel.

**Telecommunication Relay Service (TRS)** - known as “Washington Relay” TRS includes telecommunication relay service, captioned telephone service, and outreach activities. Telecommunication relay call volume is projected for FY14 to decrease 23% and captioned telephone relay call volume is projected to increase 13%. TRS is provided through a contractor, Sprint-Nextel, to provide relay services until June 2013. ODHH has negotiated a two-year contract extension until June 2015 and the price per minute has slightly increased. Outreach has been reduced but cannot be eliminated due to Federal requirements. Overall, there is a slight decrease in the cost of relay services.

**Telecommunication Equipment Distribution (TED)** – ODHH purchases various types of specialized telecommunication equipment to distribute and pays for equipment repairs. There are some increasing costs to purchase equipment.

Client training on how to use the equipment is provided through contracted trainers. To save costs, this FY13, ODHH will be mailing all TTYs and Amplified Telephones directly to the clients. Trainers will no longer bring this equipment for installation and training at the clients’ home. If the client needs help after receiving the equipment, a trainer will be sent. Fees paid to trainers were negotiated with reductions. The reduced fees will start this FY13 and continue through FY14.

ODHH is certified by the Federal Communication Commission (FCC) as a Washington State administrator of the National Deaf-Blind Equipment Distribution Program (NDBEDP). NDBEDP funding is not impacted as the FCC will reimburse at 100%. The FCC will reimburse up to \$247k for NDBEDP expenses incurred during FY14.

**Communication Access Network (CAN)** – ODHH contracts with Deaf-Blind Service Center to provide deaf-blind individuals equal access opportunities to make video calls using “Communication Facilitator” services. Funding has been reduced.

**Assistive Communication Technology (ACT)** – ODHH purchases assistive listening systems (ALS) and provides them to both DSHS and Regional Service Centers to allow people with hearing loss to participate in meetings. ODHH reviewed existing inventory and determined no further purchases is necessary but need some funds for minor repairs or replacement parts. Funding has been reduced.

**Sign Language Interpreter Management (SLIM)** – ODHH is initiating rule-making to establish court interpreter standards to meet the Revised Code of Washington (RCW) 2.42 requirement. Funding for video remote interpreting has been reprioritized for court interpreting training.

**Information Referral and Advocacy (IRA)** - ODHH distributes publications and maintains memberships with national, state and local organizations. The number of publications and memberships are reduced. A newsletter has resumed but will be published semi-annual, not quarterly, and distributed electronically as a cost-saving measure.

### **Program 100 Expenditures**

Social and Human Services (SHS) – ODHH contracts with five regional service centers of the deaf and hard of hearing to provide client services at eight local offices including the Deaf-Blind Service Center. Funding for the centers will be reduced and a new tier-payment system will be implemented to emphasize on improved performance and save costs.

Communication Access Network (CAN) – ODHH contracts with the five regional service centers of the deaf and hard of hearing to maintain public sites in their local offices to allow people who cannot afford broadband service to make video calls using videophones. Funding to maintain public video sites has been eliminated.

### **2013-15 Omnibus Operating Budget**

The biennial budget bills HB-1057 and SB-5034 include FY14 and FY15 and are subject to approval during this 2013 legislative session.

Deaf-Blind Service Center (DBSC) appropriation – per proposed 2013-2015 Omnibus Operating Budget, the budget proviso (bill language) sets aside \$480k (\$240k/year).

### **FY14 Fund Balance**

The fund balance is projected to begin with \$759,190 in reserves on July 1, 2013. After FY14 revenues and expenditures, the fund balance is projected to end with \$507,525 in reserves on June 30, 2014. However, the projected fund balance will be revised when the budget is finalized.